EVALUATION BRIEF
Legislative Finance Committee Evaluation Unit

DATE: November 18, 2025

PURPOSE OF HEARING: Detail trends in local government finances

PREPARED BY: Matt Goodlaw and Elizabeth Dodson

EXPECTED OUTCOME: Informational

Scan for Interactive Report

Local Government Finances (Part Two)

County revenues grew by 91 percent between FY18 and FY24 to $3.1 billion, while expenditures increased by nearly 60 percent to roughly $2.5 billion. Surplus revenues in FY24 ($583 million) were 21 times larger than excess revenues in FY18 ($27 million). Overall, county spending on debt is down by nearly 20 percent and spending on capital outlay is up 98 percent. Transfers from state and federal governments to county governments of nearly $600 million accounted for about 20 percent of county revenues statewide in FY24, an increase 150 percent from roughly $240 million FY18. Cities of Albuquerque, Las Cruces, and Santa Fe, combined, increased total government revenues by 66 percent to $1.73 billion and expenditures increased by 65 percent to 1.74, surpassing revenues by $9.5 million. General fund revenues for these three cities increased by 52 percent to $1.1 billion and expenditures increase by 57 percent to $1.05 billion to generate a positive surplus of $52 million.

This is the second brief of multiple series focused on local government finances. The first brief provided background on local government finances, state appropriations to local governments, and county fund balances. The purpose of this brief is to report the statewide trends observed over time in county revenues, expenditures, and surpluses as reported in county audit documents. The next installment in this series will continue to expand on local government finances. Financial information from municipal government audit documents are scheduled to be added to the interactive report beginning in November 2025.

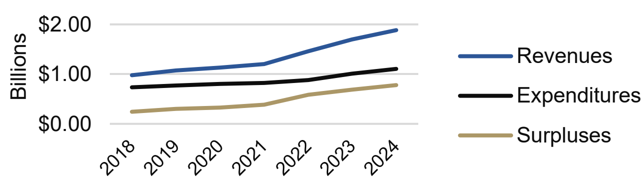
Key Points

- Surplus revenues of $583 million were 21 times the $27 million in excess revenues in FY18.
- Debt spending decreased by 20 percent from $156 million in FY18 to $125 million in FY24.
- 75 percent of county expenses are on public safety, general government, health and welfare, public works, and culture and recreation.
- Cities of Albuquerque, Las Cruces, and Santa Fe combined generated roughly $52 million in general fund surplus revenues in FY24 which is down 12 percent from FY18
- Link to Interactive Report

Revenues Minus Expenditures Equals Surpluses

Annual financial audit documents analyzed for this brief contain data on revenues, expenditures, surpluses. Essentially, the statement reports that then surpluses are positive, fund balances will increase and when surpluses are negative fund balances will decrease.

Chart 1. County Government General Fund Revenues and Expenditures FY18 - FY24
(in millions)



Note: County general fund revenues, in the aggregate, increased by 23 percent, between FY1821 and FY21, between FY21 and FY24, county general fund revenues, in the aggregate, increased by about 57 percent. Similarly, between FY18 and FY22 aggregate general fund spending increased by roughly 19 percent and between FY22 and FY24 aggregate general fund spending about 15 percent in county governments
Source: LFC Analysis of County Audits

County Government Revenue Sources

In the annual audit documents, county governments report revenues from taxes, intergovernmental transfers, fees and charges for services, investments, and other miscellaneous sources. Analysis of the portions of revenue derived by source is useful to understand the potential policy implications to local governments. Taxes account for roughly 71 percent of aggregated county revenues. Roughly 20 percent of county fund revenues are derived from intergovernmental transfers–operating or capital grants to local governments from the state and federal or other governmental units. An additional 7 percent is generated from licenses, permits, fees, and charges for services. The remaining 4 percent of overall county government revenues comes from investments or miscellaneous sources, such as a one-time gift or sale of an asset. In addition, 86 percent of general funds are generated from taxes, while 4 percent of general funds are from intergovernmental grants. Between FY18 and FY24, charges for services increased by about 83 percent; investment income increased by 568 percent; revenue generated through licenses, permits, and fees was up by 6 percent, while revenues generated from miscellaneous sources increased by 205 percent. The next two sections delve deeper into tax revenues and intergovernmental transfers. Combined taxes and intergovernmental transfers account for 91 percent of county government revenues.

Table 1. Top 10 Counties Whose Revenue to Assets Ratio is Greater Than One

County	Revenue to Assets Ratio
Sandoval	1.81
Otero	1.77
Quay	1.72
San Juan	1.69
Grant	1.57
Lincoln	1.43
Taos	1.33
Dona Ana	1.28
Curry	1.25
Lea	1.24

Source: LFC Analysis of County Audits

The revenue-to-assets ratio measures how well a government is converting their assets into revenue. For every dollar in assets Sandoval County generated $1.81 in revenue.

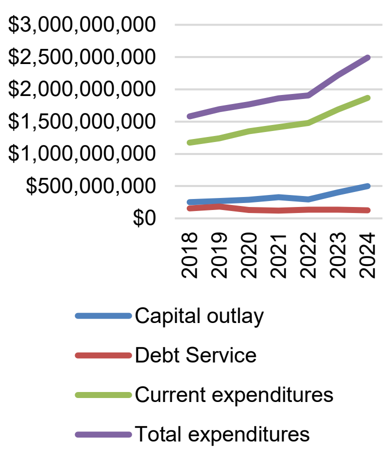
Source: LFC Analysis

Table 2. Aggregated County Level Revenues by Source Over Time
(in millions)

Fiscal Year	Taxes	Transfers	Investment	Other	Licenses, permits, and fees	Charges for services	Total
2018	$1,189	$238	$27	$29	$81	$44	$1,608
2019	$1,272	$247	$55	$33	$80	$43	$1,732
2020	$1,359	$298	$50	$29	$79	$62	$1,876
2021	$1,406	$423	$21	$32	$77	$67	$2,026
2022	$1,753	$445	-$45	$54	$84	$71	$2,362
2023	$1,953	$502	$63	$49	$94	$67	$2,728
2024	$2,044	$596	$179	$89	$86	$80	$3,074

Source: LFC Analysis of County Audits

Chart 2. Trends of General Fund Tax Revenue by Source Over Time, All Counties
(in millions)



Source: LFC Analysis

Tax Revenue: Statewide county gross receipt tax revenues increased by 89 percent from FY18 to FY24, from $480 million to $909 million. The vast majority of counties separate tax revenues among property, gross receipts, and other tax sources such as motor vehicle taxes, gas taxes, lodgers' taxes, other taxes, oil taxes, etc. However, in roughly 5 percent of cases, counties report taxes as a single category of revenues. Of all of the counties that categorize taxes, property taxes increased by 34 percent, from $469 million to $615 million, and other taxes increased by 324 percent during the same period of time. The large increase in revenues generated from the other tax category is driven by oil and gas taxes, which can be reviewed in depth in the interactive report. In FY24, tax revenues were composed of $909 million dollars in gross receipt tax revenue (44 percent), $615 million in property tax revenue (30 percent), and $425 million in other tax revenues (21 percent).

The Office of the State Auditor requires county governments follow Government Accounting and Standards Board (GASB) standards when reporting their annual fiscal audits. The standards provide flexibility in how counties categorize taxes. Analysis for specific counties is encouraged using the interactive dashboard report.

Table 3. Composition of County Tax Revenues Statewide

(in millions)

Fiscal year	Gross Receipt Taxes	Property Taxes	Other Taxes	Taxes not Disaggregated	Grand Total
2018	$479.80	$458.00	$100.20	$151.40	$1,189.40
2019	$519.30	$468.70	$107.50	$176.70	$1,272.20
2020	$578.70	$485.80	$105.40	$188.90	$1,358.80
2021	$590.70	$501.80	$119.20	$194.50	$1,406.20
2022	$718.00	$515.50	$208.60	$310.90	$1,753.10
2023	$833.50	$583.70	$420.90	$115.30	$1,953.50
2024	$909.10	$615.30	$425.00	$94.90	$2,044.30

Source: LFC Analysis of County Audits

Property taxes account for roughly 39 percent of county general fund tax revenues and have declined as a proportion of general fund tax revenues over time. As a proportion of general fund tax revenues, gross receipt taxes have increased slightly from FY18 to FY24 and account for about a third of general fund tax revenues. Other taxes account for 15 percent of taxes overall but have experienced the largest increase as a share of tax revenues–24 percent in FY24–and 13 percent of tax revenues were not attributed to a unique tax revenue source.

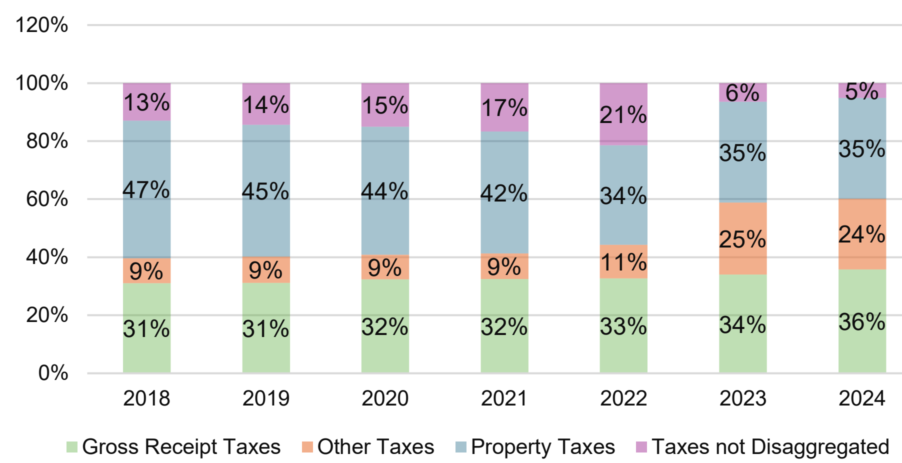
Table 4 Counties Whose General Fund Revenues are Over 15 Percent Intergovernmental Transfers

(2018 - 2024)

County	Percent of GF Revenues
Rio Arriba	17%
Hidalgo	17%
Mora	23%
Chaves	24%
Guadalupe	24%
Union	27%
Los Alamos	30%
De Baca	32%
Catron	39%
Harding	41%

Source: LFC Analysis of Audits

Chart 3. Composition of County General Fund Tax Revenues Statewide



Note: This chart is intended to address the questions what share of taxes come from gross receipts, property, or other taxes, and how has the distribution of tax sources evolved over time?

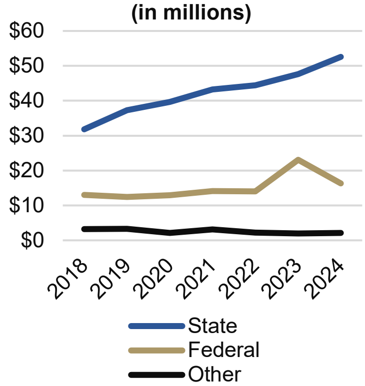
Source: LFC Analysis of County Audits

Heavy reliance on external revenue sources, like state and federal grants, could be concerning for a county's financial stability because those sources could be cut in economic downturns.

Source: LFC Analysis

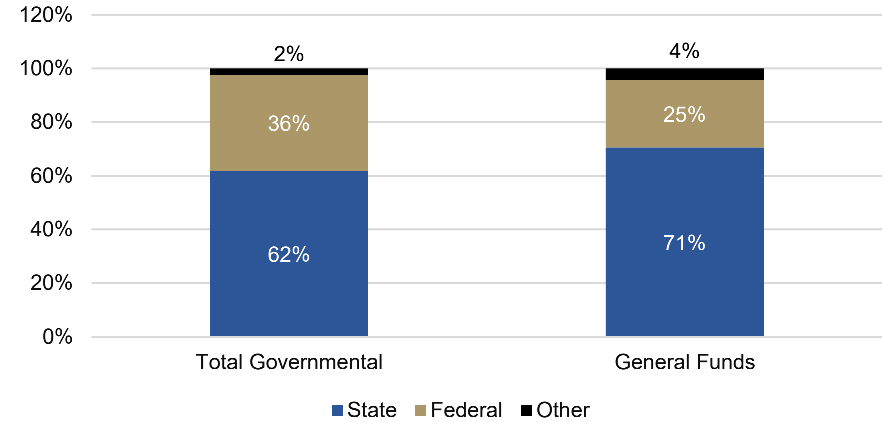
Intergovernmental Revenues: Between FY18 and FY24, transfers from state government increased by 149 percent, federal transfers increased by 169 percent, and transfers from other governmental entities increased by 36 percent. Intergovernmental revenues are transfers of revenues from federal, state, or other governmental units to local governments. Intergovernmental transfers as a percentage of overall county revenues indicates the degree to which local governments are reliant on state and federal governments for revenue. Overall, aggregated for all counties, intergovernmental transfers represent about 20 percent of county government revenues and increased 150 percent from $238 million in FY18 to $596 million in FY24.

Chart 4. Trend of General Fund Intergovernmental Revenues from FY18-FY24
(in millions)



Source: LFC Analysis of County Audits

Chart 5. Distribution of Intergovernmental Revenues to County Governments by Source of Transfer

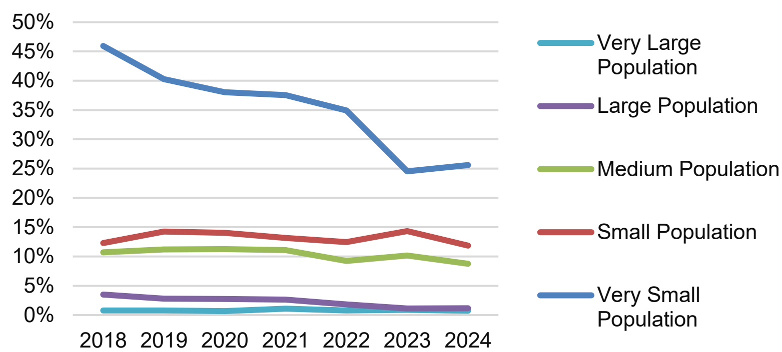


Source: LFC Analysis of County Audits

New Mexico's 33 counties vary based on population size. Larger counties generate greater revenues and expenses relative to smaller counties. Therefore, counties have been clustered into five groups to improve comparisons. The very small counties are the smallest 10 percent of counties. Small counties are between the 10th and 25th percentiles. Medium-size counties are between the 25th and 75th percentiles while large counties are between the 75th and 90th percentiles. Very large counties have population sizes that are above the 90th percentile.
Source: LFC Analysis

Larger counties tend to rely on taxes as the main revenue driver; whereas smaller counties tend to rely on intergovernmental transfers. The proportion of revenue generated from taxes is positively related to county population size and the proportion of revenues generated from intergovernmental transfers is inversely related to county population size.

Chart 6. Percent of General Fund Revenues Derived From Intergovernmental Sources FY18-FY24

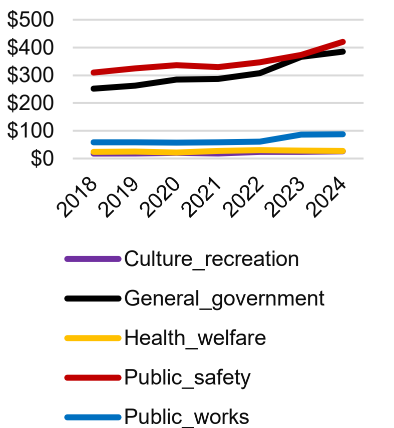


Source: LFC Analysis of County Audits

County governments generate revenues from their assets, which results in taxes, intergovernmental transfers, licenses, fees, charges for services, investments, and other miscellaneous sources. Taxes have increased across the broad categories, as have intergovernmental transfers.

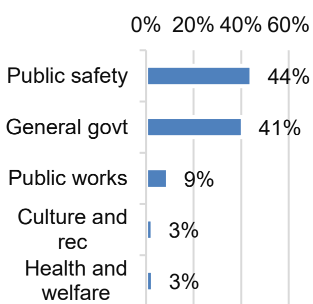
Expenditures reported in this brief are items that are paid within the fiscal year.
Current expenditures as reported in county audit documents are county government expenditures that involve day-to-day government operations. For example, culture and recreation includes things like libraries and parks and recreation services. Public safety includes things like police, fire, and emergency response services.
Source: LFC Analysis

Chart 7. Trends in General Fund Current Expenditures



Source: LFC Analysis of County Audits

Chart 8. Percent Distribution of General Fund Current Expeditures (FY24)



Source: LFC Analysis of County Audits

County Government Expenditures

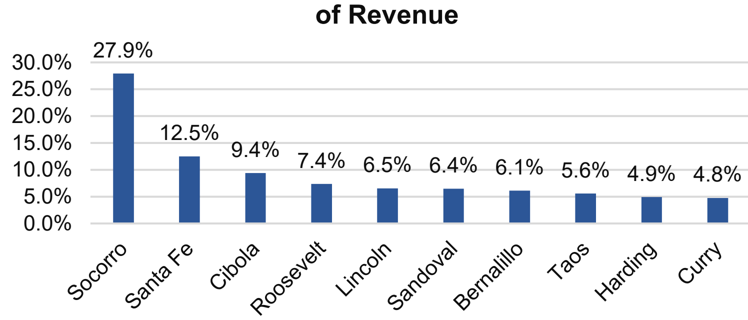
County audit documents report expenditures in three broad categories–current expenditures (for day-to-day operations), debt service, and capital outlay. In general, current expenditures include general government, public safety, public works, health and welfare, and culture and recreation. Debt service includes the interest and principal paid to debtors. Most often, capital outlay is reported as an expenditure by itself; on occasion, a county reports different components of capital outlay.

From FY18 to FY24, total county expenditures increased by roughly 58 percent from $1.6 billion to $2.5 billion. Current expenditures are the major component of county government expenditures and account for about 75 percent of governmental expenditures. Current expenditures increased by 59 percent from $1.2 billion to $1.9 billion, capital outlay expenditure increased by 98 percent from $250 million to $495 million, and debt service expenditure decreased from $158 million to $131 million.

Among counties, public safety and general government account for nearly 75 percent of overall expenditures and 85 percent of general fund expenditures. Public safety accounts for 46 percent of overall county government expenditure, and general government accounts for 28 percent of county expenditures. However, 40 percent of general fund expenditure is on general government and 45 percent of general funds are spent on public safety. The portion of general funds spent on health and welfare is 3 percent. Of all county expenditures, health and welfare accounts for 14 percent, public works accounts for about 10 percent, and culture and recreation accounts for roughly 2 percent.

Statewide, capital outlay accounts for about 9 percent of overall county expenditures while debt service makes up 7 percent. About 2.5 percent of county general fund's spending is on capital outlay and less than 1 percent on debt service. Overall, county expenditures on capital outlay increased by 98 percent from 271 percent from $18 million to $68 million. Furthermore, overall debt spending (principal and interest) declined by 18 percent from FY18 to FY24. Debt spending as a percentage of overall spending declined from 10 percent to 5 percent of revenues from FY18 to FY24.

Chart 9. Ten Counties with the Highest Percentage of Debt Spending as a Percentage of Revenue



Source: LFC Analysis of County Audits

Surplus Revenues

Surplus revenues in FY24 ($583 million) were 21 times larger than excess revenues observed in FY18 ($27 million). County expenditures increased by nearly 60 percent from FY18 to FY24; however, county revenues started $27 million higher and increased faster than expenditures, contributing to growing county surpluses. Although surpluses totaled statewide have increased by 21 times compared with FY18, not all of these increases are unrestricted or necessarily generated by sustainable revenue streams or generated from stable assets. Therefore, the longevity of current surpluses should be interpreted with those caveats in mind.

Table 5. Ten Counties with the Largest Surplus per Capita
(in thousands)

County	FY2018	2019	2020	2021	2022	2023	2024
Lea	$462	$701	$723	$1,042	$2,371	$2,932	$3,375
Los Alamos	$687	$934	$923	$1,309	$1,709	$2,236	$2,668
Eddy	$354	$512	$513	$829	$1,946	$2,457	$2,904
Harding	$1,330	$831	$633	$301	$579	$656	$191
De Baca	$462	$487	$506	$695	$592	$515	$687
Lincoln	$332	$365	$370	$455	$465	$490	$494
Santa Fe	$258	$273	$298	$288	$231	$297	$418
Hidalgo	$232	$230	$238	$236	$266	$185	No Audit
Socorro	$140	$170	$194	$240	$243	$246	$375
Roosevelt	$100	$101	$267	$252	$246	$240	$319

Source: LFC Analysis of County Audits

County Population Size and Financial Reporting

County population size and growth account for a substantial portion of the differences between county government revenues and expenditures. New Mexican counties, with small or very small populations, face a greater risk of declining populations than do larger counties in New Mexico. Eight of nine small or very small counties declined in population size between 2000 and 2024, compared with six of 16 medium-size counties and one of eight large or very large counties. Bernalillo County, with a very large population size, added roughly 4,600 people per year to the county population between 2000 and 2024. Catron County, with a very small population size, and Lincoln County, with a medium-size population, have seen about eight people per year added to their county populations. Harding County with a very small population size has lost about six people per year on average, and McKinley County with a large population has lost about 46 people per year, on average, since 2000. There is a positive relationship between county population size and county revenues or county expenditures, as expected. Counties experiencing growing populations tend to have higher revenues or expenditures, on average, compared with counties with stagnating or declining populations.

Table 6. County Groups based on Population Size

County	Group
Bernalillo	Very Large
Dona Ana	Very Large
Santa Fe	Very Large
Sandoval	Very Large
San Juan	Large
Valencia	Large
Lea	Large
McKinley	Large
Otero	Medium
Chaves	Medium
Eddy	Medium
Curry	Medium
Rio Arriba	Medium
Taos	Medium
Grant	Medium
San Miguel	Medium
Cibola	Medium
Luna	Medium
Lincoln	Medium
Los Alamos	Medium
Roosevelt	Medium
Socorro	Medium
Torrance	Medium
Colfax	Medium
Sierra	Small
Quay	Small
Guadalupe	Small
Mora	Small
Hidalgo	Small
Union	Very Small
Catron	Very Small
De Baca	Very Small
Harding	Very Small

Source: LFC Analysis

Fiscal Ratios – County Efficiency, Debt Management, Revenue Independence

Financial ratios enable further analysis of governmental financial statements. For example, county governments use their assets to generate revenues. The county efficiency ratio reported in the interactive dashboard measures how well counties do in converting their assets into revenues. The debt management ratio measures the proportion of revenues spent on debt service. The revenue independence ratio measures the level of reliance on state or federal revenue transfers.

Table 7. Median County Efficiency Ratio by Group (FY18-FY24)

Group	Median Revenues to Assets Ratio
Very Large	$ 1.26
Large	$ 0.95
Medium	$ 1.28
Small	$ 1.33
Very Small	$ 0.80

Source: LFC Analysis of County Audits

County Efficiency. County government efficiency differs over time within a county and between counties. Analysis of financial statements enables LFC to assess how well counties use their assets. The ratio of revenue over assets measures how many dollars in revenue a county generates for each dollar in assets under management. The higher the ratio the better. Counties that struggle to convert their assets to revenue may be experiencing a declining stock of capital assets, declining populations, or a declining economic base. On average, this ratio declined from $1.34 dollars of revenue per dollar of assets to .99 cents per dollar of revenue for each dollar of assets from FY18 to FY24. Four of the 29 counties that submitted audits in 2024 earn less than .75 cents per $1 of assets while five counties earn more than $1.50 per $1 of assets.

Table 8. Median Debt Management Ratio by Group (FY18-FY24)

Group	Median Debt to Revenue Ratio
Very Large	9%
Large	4%
Medium	5%
Small	4%
Very Small	3%

Source: LFC Analysis of County Audits

Debt Management. Debt service is the expenditure associated with repayment of debt principal and interest. The debt spending-to-revenue ratio measures the extent that the county government is generating enough revenues to cover their debt service needs. The lower the ratio the better. In the aggregate, debt service accounts for less than 1 percent of county general fund revenues. With respect to total governmental funds, debt spending accounts for roughly 6 percent of overall revenues. In Ohio, for example, the state auditor monitors local government fiscal health through 17 indicators and considers a county government with between 4 percent and 5 percent of its revenues accounted for by debt service spending to be a cautionary outlook and those with over 5 percent to be a critical outlook. Fourteen of 29 counties in New Mexico that reported 2024 audits have a debt management ratio below 4 percent. Seven of the 29 counties with audits have a debt management ratio of between 4 and 5 percent in FY24 and eight of the 29 counties had ratios greater than 5 percent, with two of those counties at greater than 10 percent. Counties that spend increasing levels of revenue on debt service have less revenue available to improve and maintain the quality of life in their county.

Table 9. Median Revenue Independence Ratio by Group (FY18-FY24)

Group	Median Revenue Independence Ratio
Very Large	1%
Large	2%
Medium	4%
Small	20%
Very Small	33%

Source: LFC Analysis of County Audits

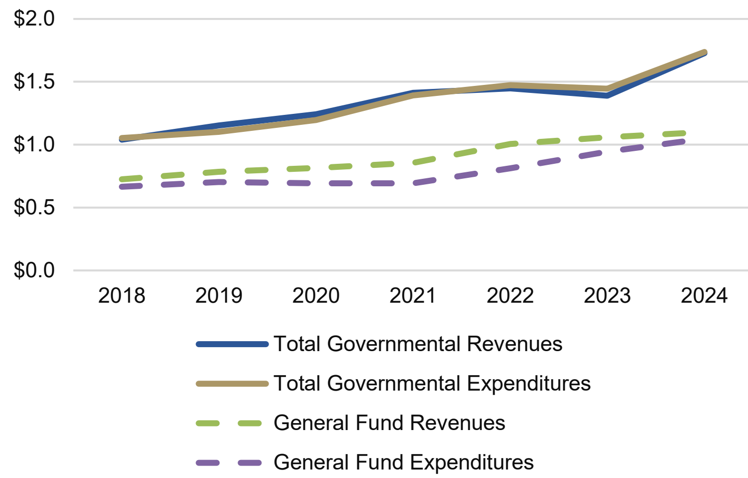
Revenue Independence. On average, 4 percent of county general fund revenues come from intergovernmental transfers. However, for some counties intergovernmental transfers made up over 15 percent of general fund revenues. The Ohio Auditor of State considers a county government with over 15 percent of its general fund revenues from intergovernmental transfers to be a cautionary outlook and those with over 20 percent to be a critical outlook. Ten of New Mexico's 33 counties made over 15 percent of their general fund revenues between FY18 and FY24 from intergovernmental transfers, with Harding County's 40 percent the largest. Heavy reliance on external revenue sources, like state and federal grants, could be concerning for a county's financial stability because those sources could be cut in economic downturns.

This section looks at selected data from Albuquerque, Las Cruces, and Santa Fe. New Mexico recognizes 106 municipalities. Municipal data from financial audits will begin to appear in the [interactive web-based report] on local government fiscal conditions in November 2025. Municipalities follow GASB standards similar to counties, though idiosyncrasies increase as population size and budgets decrease. For this reason, LFC will begin data collection and reporting with the largest municipalities working down to the towns and villages.

Supplemental Section

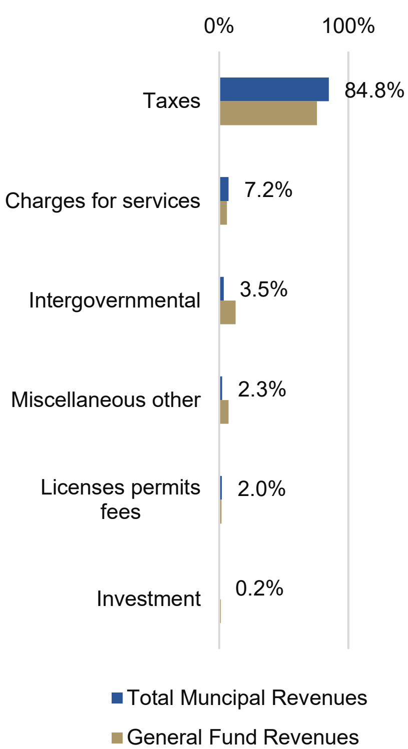
Municipal Revenues and Expenditures: Between FY18 and FY24, total revenues for Albuquerque, Las Cruces, and Santa Fe increased by 66 percent to $1.73 billion while total expenditures increased by 65 percent to $1.74 billion. Aggregated across the three municipal governments, general fund revenues increased by 52 percent to $1.1 billion, while expenditures increased by 57 percent to $1.05 billion.

Chart 1-S. Total Versus General Government Revenues and Expenditures Aggregated Across Three Municipal Governments
(in billions)



Source: LFC Analysis of Municipal Audits

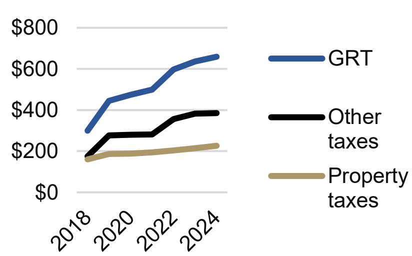
Chart 2-S. Percent Distribution of Muncipal Revenues



Source: LFC Analysis of Municipal Audits

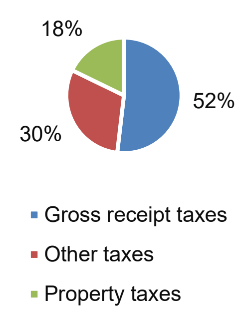
For these three cities, 85 percent of overall municipal revenues are generated from taxes, 7 percent generated from charges from services and 3.5 percent from intergovernmental transfers. General revenues are composed similarly, except 76 percent are from taxes, 13 percent from intergovernmental sources, 7 percent from miscellaneous sources, and 6 percent from charges from services.

Chart 3-S. Overall Trends of Municipal Tax Revenue by Source FY18 - FY24
(in millions)



Source: LFC Analysis of Municipal Audits

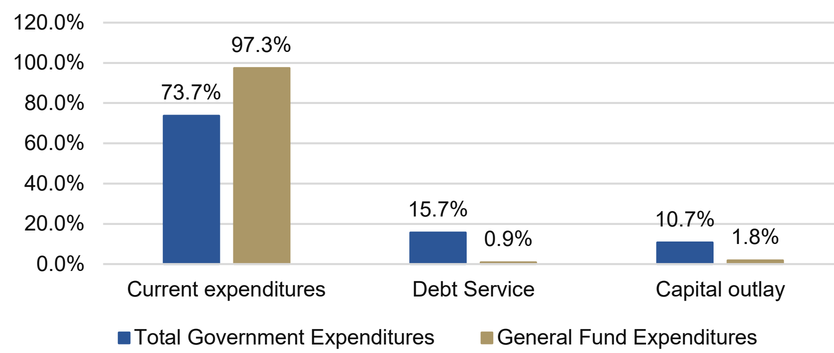
Chart 4-S. Percent Distributions of Tax Revenue by Source FY24



Source: LFC Analysis of Municipal Audits

Across the three municipal governments in this sample, current expenditures account for 74 percent of total spending, debt service accounts for 16 percent, and capital outlay accounts for 11 percent. Almost all general fund expenditures (97 percent) are accounted for by current expenditures. Capital outlay accounts for less than 2 percent of general fund spending, and debt service is less than 1 percent in these three municipalities.

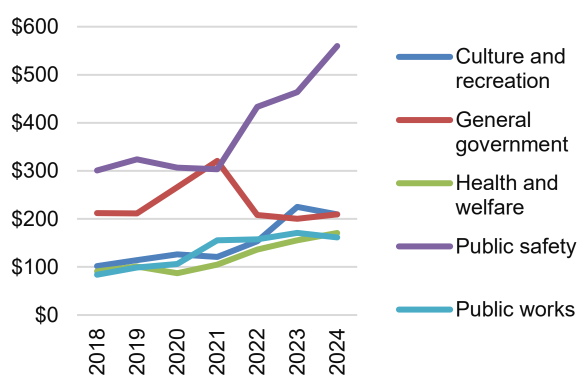
Chart 5-S. Percent Distribution of Muncipal Expenditures



Source: LFC Analysis of Municipal Audits

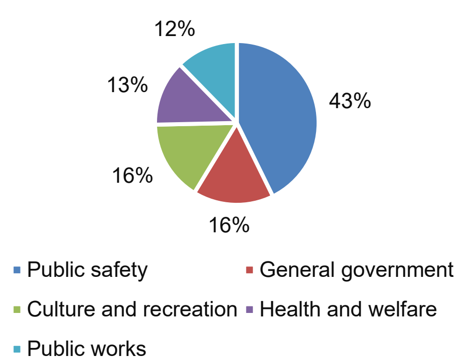
In FY24 the cities of Albuquerque, Las Cruses, and Santa Fe combined, spent roughly 43 percent of current expenditures on public safety, 16 percent on general government, 16 percent n culture and recreation, 13 percent on health and welfare and 12 percent on public works. Expenditures on public safety are up 86 percent from FY18 to FY23 and spending on general government is slightly down by about 1.2 percent over the same time period, however this line follows an inverted U trend. Spending on culture and recreation is up 105 percent, while health and welfare spending is up 87 percent and public works increased 92 percent.

Chart 5-S. Overall Trends of Current Expenditures by Source FY18 - FY24
(in millions)



Source: LFC Analysis of Municipal Audits

Chart 7-S. Percent Distributions of Current Expenditures by Source FY18 - FY24



Source: LFC Analysis of Municipal Audits